

AEF SIDE-EVENT

Facility for Energy Inclusion

The new platform for financing small-scale
renewables in Africa



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Organisation:



Partners:

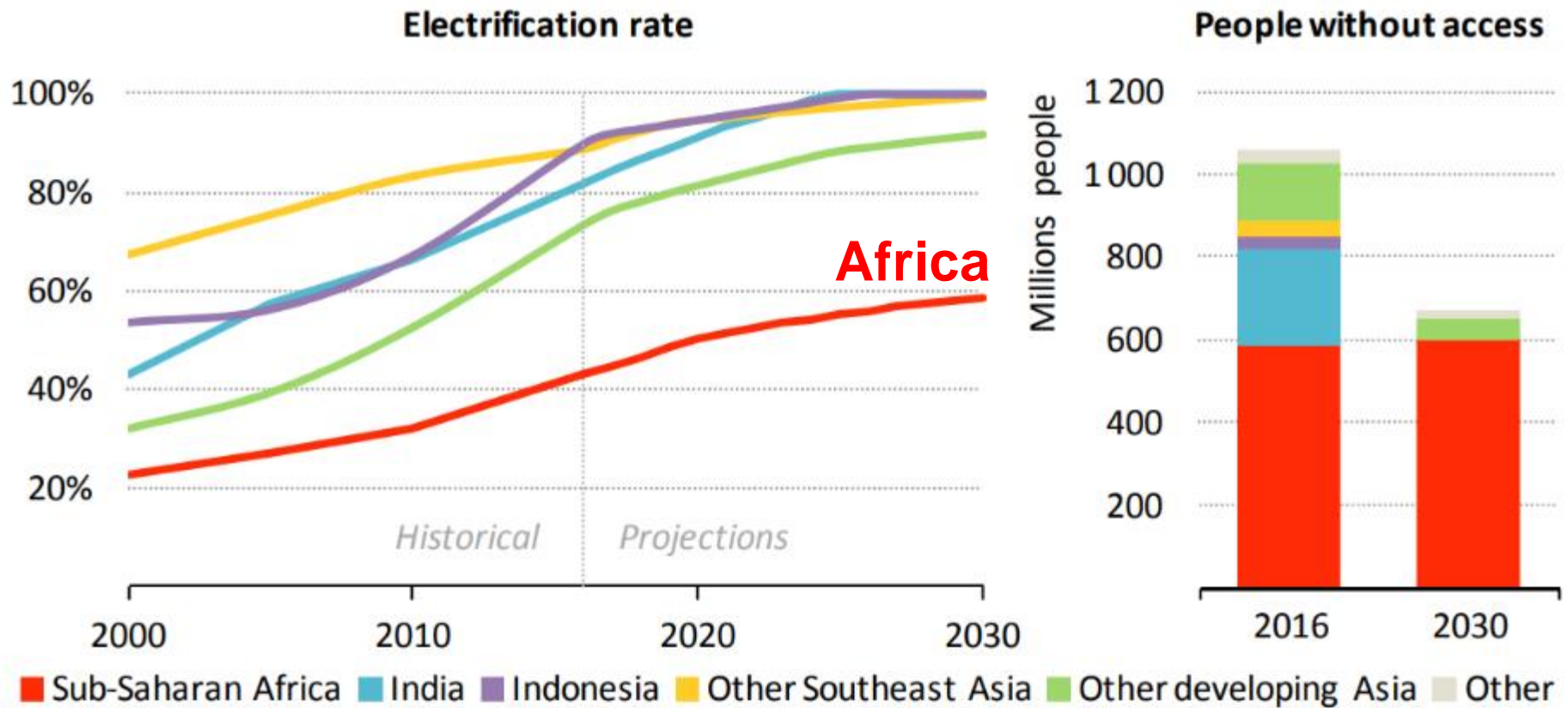


FIELDSTONE

Access to electricity is the largest bottleneck to development in Africa...



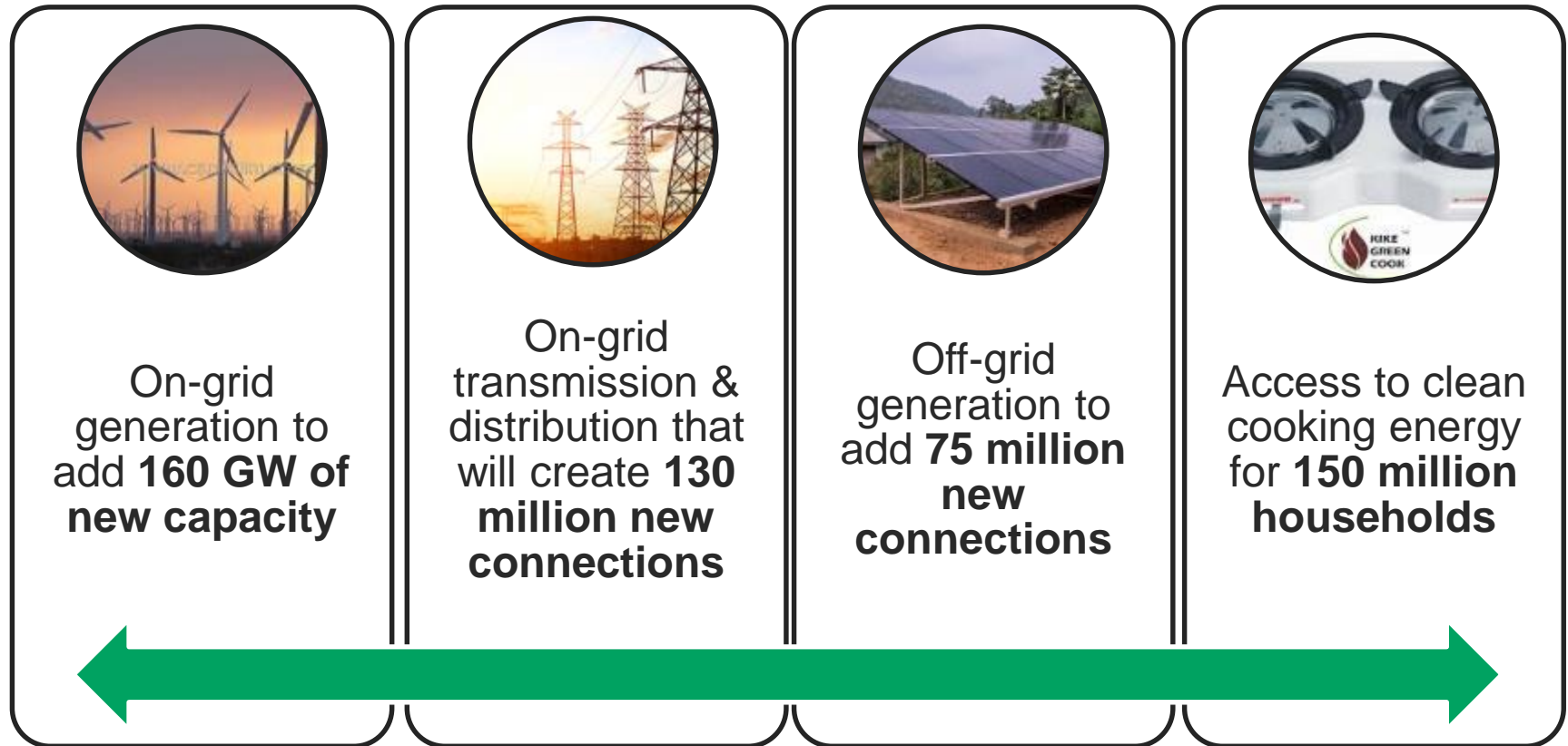
The IEA's *New Policies Scenario* projects that approximately 600 million people in Africa will remain without access to electricity in 2030.



...AfDB has made lighting and powering Africa its top corporate priority!



The **New Deal on Energy for Africa** is AfDB's strategy for delivering universal energy access in 2025-30, and focused on the deployment of renewable energy.



AfDB has pledged to commit **USD 12 billion** of its own resources by 2020, to leverage another **USD 50 billion**.

Africa has unique potential and the renewable energy investment landscape is diverse and fast-evolving



Domestic and Micro-Enterprise



- Fast growing renewable energy segment, new business models
- Growth driven sales volumes, cross-selling of appliances and consumer finance
- **Funded by venture capital, private equity, large corporates**

Commercial and Industrial



- Increasingly recognized as a large and attractive investment segment
- Displacement of high diesel costs, stability of supply, affordability
- **Funded by specialized funds**

Community Mini-Grids



- New technologies enabling electrification in remote areas
- Power for domestic and non-domestic users (“grid-experience”)
- **Funded by donor grants and “impact” equity investors**

Utility-Scale Power Plants



- Smaller plants easier to finance and deploy, advent of solar tenders
- Clean power in the grids at competitive tariffs, but intermittency an issue
- **Funded by DFIs and some commercial Banks**

Renewable energy and mobile connectivity are redefining the energy access landscape in Africa ...



Note: Inclusion is for illustrative purposes only and does not imply neither interest nor endorsement of the African Development Bank.

...while improving food security and increase climate resilience in rural areas.



Cold Hubs



InspiraFarms



Future pump



AGSOL



Despite the opportunity, various challenges stand on the way of financing small-scale renewables...

Local banks are best placed to finance small-scale projects but do not do it for a variety of reasons including:

Inflexible Lending Model

- Very traditional secured corporate lending model
- Only accept hard assets as collateral

Structuring Capacity

- Limited in-house experience and range of debt products
- Rigid and narrowly focused credit approval processes

New business models

- Small scale projects viewed as “exotic” and “unbankable”
- Level of upfront effort does not seem to be justified



Acknowledging these challenges, AfDB provided a \$100m anchor investment to establish a financing platform for small-scale projects with the objectives of:

- aggregating and blending capital from various sources
- play a lead arranger role structuring bankable projects
- accelerating delivery to increase access to clean energy across Africa

Facility for Energy Inclusion (FEI)



\$500 million debt platform for small-scale renewables



- **On-Grid Window (USD 400m):** small-scale IPPs, green mini-grids, commercial & industrial solar (size <25 MW)



- **Off-Grid Window (USD 100m):** off-grid solar companies using pay-as-you-go technologies or lease-to-own models



Thank you...on behalf of our partners!

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